

City of Englewood, Colorado Budget Advisory Committee

2016 Annual Report

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The Budget Advisory Committee is pleased to present its third annual report to the Englewood City Council.

Because the issue brief on the Long Term Asset Reserve fund presented a complete background on the Budget Advisory Committee, we feel it is unnecessary to repeat the information. However, to provide context, we are sharing the following brief background of our committee and its activities.

The Englewood City Council created the Budget Advisory Committee in May 2013 (Ordinance 16, Series 2013) with the following purpose:

The Budget Advisory Committee (BAC) is established by Council and the City Manager to advise the City on the development, implementation and evaluation of the annual City Budget. Participation in the Budget Advisory Committee is an opportunity not only to advise on the prioritization of how city tax dollars are spent, but also to advise policymakers in their decision-making process in an open and transparent manner.

Over the years, the BAC has been briefed on the following departments, issues and projects and The BAC has provided some comments and recommendations:

- Fire Department
- Parks and Recreation
- Police Department
- Community Development
- Priority based budgeting
- Municipal revenue
- Long Term Asset Reserve Fund (LTAR)

This year's report covers the following topics:

- 2015-2016 budget cycle accomplishments
 - Priority-based budgeting
 - Transparency and the OpenGov Portal
 - Increased accessibility to Council meetings and materials
- Unfinished business
 - Safety Services Building
 - Police Staffing
 - City Revenue
- Closing requests
 - Remove sunset provision from BAC
 - Change focus from a single annual report to multiple issue briefs

2015-2016 Budget Cycle Accomplishments

Priority Based Budgeting

Last year the BAC briefly touched on the Priority Based Budgeting initiative started by the city. Over the past year the BAC spent time with city staff and members of the Center for Priority Based Budgeting (CPBB). This year we would like to provide an update on what we learned and where we see value in this initiative.

As mentioned last year, the BAC is very enthusiastic about reviewing the fiscal health and wellness data provided by the Fiscal Health Diagnostic Tool. In February of this year, members of CPBB presented annual trend information that shows the fiscal position of Englewood. This tool will allow the city council, staff, and members of the community to see not only how the expenditures are trending over time, but also the nature of the revenues and expenditures. Are they one-time or ongoing streams? This is important in determining if ongoing revenues are sufficient to fund ongoing operational expenses, and if one-time sources adequately cover projects and capital needs.

Based on the latest figures that the BAC and city council have seen, one time sources of revenues are projected to taper off over the next five years. This is important to note as the reserves of the general fund balance continue to diminish year over year, and are in the “red” by 2021. One time sources will not be able to make up the difference, much less keep the fund balance reserve in policy compliance.

This insight should give pause to city council and the citizens of Englewood. Although the city is fiscally healthy, the future may not have continued fiscal wellness, if the reserve is continuously used to balance the budget. The BAC believes that the proposed 2017 budget shows great promise in stemming that tide by growing the reserve even if by only a small amount.

Since the community results are products of the Citizen Survey, Comprehensive Plan, and the City’s Mission, Vision, and Values statements, it is expected that they will adapt to the changing needs and aspirations of the citizens of Englewood. A reasonable expectation is that the programs are reevaluated with regularity to ensure their continued relevance to the community. Also, final prioritization, through funding, rests with them.

The BAC is very impressed by the progress that has been made on the priority based budgeting initiative and believes that it is the foundation on which a great community can be made to thrive. See Appendix A for a more technical discussion of the BAC’s understanding of how PPB works.

Increasing Transparency

The past year saw the implementation of two new initiatives in Englewood to increase the citizens’ access to information about how the city works. First, the OpenEnglewood financial portal (<http://englewoodgov.org/inside-city-hall/city-departments/financial-services/open-finances-portal>) contains in-depth data on the city’s finances including the city’s payment register. Through the OpenEnglewood financial portal, concerned or curious citizens can see in-depth detail on how the city spends our money. There is also a salary information system that shows the annual salary for each employee in the city (by title). The BAC lauds the addition of these systems and the increased focus on transparency that their availability demonstrates.

The second major accomplishment for transparency in Englewood this year was the update to the city council meetings portal. Previously, citizens could download audio of Council meetings, but many citizens reported technical difficulties when attempting to access the meeting recordings. Now, through the city’s meetings portal (<https://englewoodgov.civicweb.net/Portal/>), citizens can watch live and archived video of city council meetings and study sessions. Obviously, this new technology was not free, but the members of the BAC believe that the cost

of development and bandwidth for the city council meeting portal is a worthwhile expenditure of taxpayer dollars because it better serves the needs of interested citizens.

Issue Brief: Long Term Asset Reserve

This year, the BAC delivered its first issue brief to Council. In our issue brief, we discussed the city's long term asset reserve account. For reference, the issue brief to this report is located at the following link: <http://englewoodgov.org/inside-city-hall/boards-and-commissions/budget-advisory-committee>. The members of the BAC were pleased at the opportunity to explore the long term asset reserve fund in depth and to better understand the creation and maintenance of this account.

We decided to write and submit an issue brief based upon the feedback that we received from Council during the BAC study session where we delivered our 2015 report to Council. We wanted to address Council's concern that the timing of our annual report was less than ideal because it directly abuts the adoption of the annual budget. Going forward, we welcome the opportunity to submit more issue briefs to Council. We discuss the issue brief concept among our suggestions for improvement and our closing remarks to Council at the end of this report.

Unfinished Business

Safety Services Building

In our 2014 report, the BAC alerted Council to ongoing and upcoming problems with Englewood's aging infrastructure. Our 2014 report focused on concerns with fire department buildings and apparatus as well as the upcoming expense to replace the chiller at the Englewood Recreation Center. Council addressed both of those issues in 2015.

For our 2015 report cycle, the BAC members spoke with the Chief of Police, John Collins. Chief Collins alerted us to the issues with the safety services building. At that time, the cost to rebuild or replace the building was estimated at between \$15 and \$16 million. In our 2015 report, we recommended Council investigate funding options to replace the police building.

Unfortunately, that recommendation was not acted upon until July 2016 when the Englewood City Council commissioned an opinion poll of Englewood's citizens. According to the record of the July 5, 2016 Council meeting, the polling and political consulting provided in relation to the poll, cost the taxpayers of Englewood \$30,000.00. Much of the polling was focused on the issues surrounding the safety services building. One of the goals of the poll as we understand it was to gauge the citizens' interest in approving a bond issue and the associated property tax increase for the purpose of building a new safety services building.

The members of the BAC are always on the lookout for ways that Englewood can apply taxpayer dollars to the best use possible. In the future, we believe that the best way to poll the citizens on tax policy is at the ballot box. While elections cost money, there is already an election scheduled in November, and we find it difficult to believe that the money spent on the poll provided anything of value to the average taxpayer in Englewood.

In the past, the members of the BAC have been frank about our preference for funding large capital projects such as the replacement of the city center with bond dollars rather than with more expensive COPs or other "creative" funding methods. Although the poll results showed that the citizens who were polled are strongly in favor of passing a bond to fund the replacement

of the police building, we fear that three months is an inadequate amount of time to complete the required public outreach and to educate Englewood's voters on the reasons for the request.

Going forward, we encourage Council to plan ahead for major capital projects such as the safety services building, future parks and recreation projects, and road and bridge replacement rather than attempting to pass a bond issue on a three-month timeline. History shows that when Englewood's leadership asks the city's citizens for a tax increase, it is best to begin public outreach as early as possible. For example, the Pirate's Cove bond effort began over a year in advance of the request on the ballot. The BAC addressed Englewood's history with bond requests in our 2014 report to Council.

Police Department Staffing

In our 2015 report, we addressed Chief Collins' desire to change the Englewood Police Department's hiring model. Chief Collins stated that by hiring officers before they are Peace Officers Standards and Training (POST) Board certified, Englewood could gain access to a larger pool of candidates. This method would increase hiring costs, but was said to allow Englewood to hire the best-qualified candidates into long-term positions.

In the study session on August 29, 2016, Chief Collins discussed police department staffing. Although Council authorized the new hiring model for two candidates in 2015, neither candidate was able to complete the hiring process and become an Englewood police officer. In the same study session, the chief indicated that the Englewood Police Department is currently understaffed by four to five police officers. The lack of officers has forced the chief to close Englewood's traffic bureau.

There is no question that the citizens of Englewood rely upon the Englewood Police Department to keep us safe. The public safety provided by adequate police coverage is critical to Englewood's long-term health. An inadequate head count can lead to increased overtime costs and pose a danger to the citizens if tired officers are patrolling the streets or the need to remove additional officers from duty due to injury or job-related incidents arises. We urge Council to immediately address the police staffing problem, and encourage Council to use money from reserves to fill open police department positions as necessary.

Examining the City's Revenue Streams

Both our 2014 and 2015 reports to City Council addressed our concern over the lack of stability and diversity in the city's revenue streams. This year's adoption of the Priority Based Budgeting model shows that under the current structure, in just a few years, the city may be dipping into reserves to balance the budget. The members of the BAC see the threat that the city's reliance on sales tax as its primary revenue source presents to the long-term financial stability of the city.

The BAC strongly encourages the members of Council to examine the property tax rates of residential and commercial properties in nearby municipalities such as Sheridan, Littleton, Centennial, and Denver. While we relish the comparably low property taxes that we pay as citizens of Englewood, we believe that a comparison of nearby property tax rates may show that there is room to shore up Englewood's upcoming financial gaps. We understand that Council cannot set or increase the property tax rate without the consent of the citizens, and we are not recommending a property tax increase. However, we would like to see both Council

and the citizens develop a better understanding of where Englewood is situated relative to other municipalities and the relationship between taxation and a city's ability to provide services.

Closing Requests

Sunset Provision

The members of the BAC have been honored to serve the City of Englewood since the BAC's inception in 2013. Since that time, Englewood has changed quite a bit. The city's chief executive changed. The Englewood Fire Department was closed in favor of a contract for services with Denver. Three new Council members were elected in 2015. The upcoming 2017 budget cycle is the first year of priority-based budgeting.

We believe there is value in continuing the BAC's mission into future years. We would like to take this opportunity to ask Council to remove the sunset provision from the BAC ordinance. The BAC is currently set to sunset in May of 2017. This sunset would prevent us from issuing a report to Council on the proposed 2018 budget and the progress of priority based budgeting. We hope that Council derives some value from our service; as citizens, we derive great value from gaining an understanding of how the city works and from interacting with the staff that serves the City of Englewood.

BAC Annual Report

The BAC's ordinance includes a requirement to deliver an annual report to Council. In our 2015 study session with Council, several Council members indicated that our annual report wasn't as useful as it could be because of the delivery schedule. The annual report is due to Council before the public hearing on the budget. This schedule results in a rush to finish the report because the budget is still being completed while the BAC is generating the annual report.

If Council chooses to renew the BAC's charter, we respectfully request Council remove the requirement for an annual report. We believe that Council's needs may be best served with issue briefs throughout the year rather than a single annual report. The timing of the annual report adds to the large quantity of budget information that Council receives before the annual budget hearing. The BAC report may be being overshadowed because of the demands of the September 15th budget deadline.

Closing

The members of the BAC would like to thank the city staff members who have assisted us in the performance of our duties. Municipal budgeting is a complicated process, and several of our members have overcome a lengthy learning curve with the cheerful assistance of staff. We hope that Council finds our perspective useful, and we look forward to assisting our fellow citizens in understanding Englewood's budget in the future.

Appendix A: Priority Based Budgeting (PBB) Technical

Another output of fiscal wellness and the PBB initiative is the program inventory and ranking, which can be found in the Resource Alignment Diagnostic (RAD) tool. The program inventory included 16 funds, and almost 800 programs. As this information is vast, the BAC found it useful to have staff and members of CPBB to explain some of the details.

One of the most important aspects of the inventory is how all of these programs can be prioritized and placed in quartiles. Each program was evaluated against PBB's "basic program attributes" (BPA):

- Level of mandate
- Reliance on the city to provide
- Cost recovery
- Change in demand
- Portion of the community served

Aggregated together, these BPAs are 25% of the tiered calculation. The other 75% consists of how relevant the program is to the seven community results:

- Attractive, Engaged, Inclusive, and Welcoming Community with Desirable, Livable Neighborhoods
- Effective Mobility and Reliable Infrastructure
- Orderly Well-Managed Growth and Development
- Recreational, Cultural, Educational, and Life-Long Learning Opportunities
- Safe and Healthy Community
- Sustainable Natural Environment
- Thriving and Vibrant Local Economy

They are the desired outcomes from the programs. Therefore, the most relevant programs to the community will end up in the higher quartiles.